

REGION OF OTTAWA-CARLETON
RÉGION D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf.
 Your File/V/Réf.

DATE 03 November 1999

TO/DEST. Co-ordinator
 Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **TEMPORARY BORROWING BY-LAW FOR 2000 CURRENT OPERATIONS**

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee recommend Council approve the enactment of a By-law authorizing temporary borrowings for current purposes for the year 2000 in accordance with existing legislation.

BACKGROUND

In accordance with Section 110 of the *Regional Municipalities Act*, R.S.O. 1990, a By-law is required each year to authorize such short term borrowings as may occur from time to time. This authority supports the Region's line of credit facility with its banker, Royal Bank of Canada in the amount of \$25.0 million.

For the past several years the Region's consolidated cash position has been sufficient to finance its own cash requirements as well as to allow cash to be invested in a variety of money market investments in order to optimize investment income. Occasionally short term investment terms and the need for operating funds results in overdraft positions. In these instances the Region may draw on its short term borrowing facility at the bank until cash revenues are received or investments are liquidated. Any overdraft positions are remedied on the next business day. For the January 1 to October 31, 1999 period, five overdraft positions occurred in various amounts up to a high of \$4.4 million having a total interest cost of approximately \$3,012. For the period January 1 to September 30, 1999, short term investments managed by the Region provided interest earnings of \$12.7 million (\$3.2 million for City of Ottawa funds) including total bank interest earnings of \$320,000.

It is felt that a maximum temporary borrowing limit not to exceed \$25,000,000 at any one time would be sufficient to meet the short term borrowing requirements for operating purposes in 2000 in accordance with existing legislation. There is no cost to the Region to secure this line of credit and interest costs are only incurred as a result of overdrafts.

PUBLIC CONSULTATION

The authority requested to enact a by-law authorizing temporary borrowings is an administrative matter and entirely in accordance with existing legislation. The proposed by-law would facilitate the administration of payments by the Region and the cash management process by supporting a line of credit facility. Public consultation is not required on this administrative matter.

FINANCIAL IMPLICATIONS

The interest expense which may be incurred when occasional advances are made under the line of credit facility with the Royal Bank will be minor and will be offset by earnings from the investment of surplus funds.

CONCLUSION

It is recommended that a by-law be enacted by Council authorizing temporary borrowings for the year 2000 in accordance with existing legislation.

*Approved by
J.C. LeBelle*